

Message Text

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ACTION EB-11

INFO OCT-01 IO-12 ADP-00 AGR-20 CEA-02 CIAE-00 COME-00

DODE-00 FRB-02 H-02 INR-10 INT-08 L-03 LAB-06 NSAE-00

NSC-10 PA-03 RSC-01 AID-20 CIEP-02 SS-15 STR-08

TAR-02 TRSE-00 USIA-12 PRS-01 OMB-01 AF-10 RSR-01

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E. O. 11652: N/A

TAGS: ETRD, GATT, SF, EC, US

SUBJECT: US- SOUTH AFRICA 28 AND US- EC 24:6 NEGOTIATIONS

REF: (A) GENEVA A-246; (B) GENEVA 1837

1. REF A REPORTED VIEW OF SOUTH AFRICAN ARTICLE 28 NEGOTIATORS THAT SA ATTACHED MORE IMPORTANCE TO ARTICLE 28 SETTLEMENT WITH EC THAN TO ITS 24:6 RENEGOTIATIONS WITH EC. (SAME INDIVIDUALS ARE HANDLING BOTH ISSUES FOR SA AND HEAD OF EC NEGOTIATING TEAM IS ALSO SAME PERSON.)

2. REF B PARA 3(A) DREW ATTENTION TO PROBLEM US 24:6 DELEGATION SEES IN EC DENIAL OF MANY US PRINCIPAL SUPPLIER CLAIMS, NAMELY THAT THERE MAY NOT BE ANY REAL NEGOTIATOR WITH EC ON THESE ITEMS IF US REDUCED TO SUBSTANTIAL SUPPLIER WITH RIGHTS OF CONSULTATION ONLY.

3. GAP OF ABOUT \$12.2 MILLION STILL EXISTS IN US- SA
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ARTICLE 28 RENEGOTIATIONS. BEST POSSIBILITIES FOR

CLOSING GAP OFFERED BY RICE (WHERE US HAS \$14 MILLION TRADE INTEREST) AND UNIFICATION OF SA'S BRITISH PREFERENTIAL TARIFF RATES. ALTHOUGH OUTSIDE FORMAL SCOPE OF ARTICLE 28 RENEGOTIATIONS, US COMPLAINT AGAINST SA AUTOMOTIVE TAX REBATE SYSTEM IS ADDITIONAL POINT OF LEVERAGE.

4. US 24:6 DELEGATIONS HAS EXAMINED AREAS OF OVERLAPPING CLAIMS BY US AND SA IN 24:6 NEGOTIATIONS. MOST IMPORTANT CASE APPEARS TO BE CANNED MIXED FRUITS IN UK SCHEDULE (20.06 0) WHERE US CLAIM OF PRINCIPAL SUPPLIER (\$963,000 AVERAGE UK IMPORTS FROM US IN 1970-71) DENIED BY EC IN FAVOR OF SA WHOSE IMPORTS INTO UK AT PREFERENTIAL RATES AVERAGED \$3,967,00 IN BASE PERIOD.

5. MISSION AND USDEL 24.6 SUGGEST WASHINGTON INSTRUCTIONS FOR NEXT STAGE OF OUR 28 NEGOTS WITH SA TAKE INTO ACCOUNT POSSIBLE LEVERAGE THIS MAY HAVE IN HELPING US ATTAIN PART OF OUR OBJECTIVES IN 24:6. WE SUGGEST, FOR EXAMPLE, THAT IF USDA FINDS SA PROPOSAL ON RICE IS OF INTEREST, WE MIGHT TELL SA IT IS NOT SUFFICIENT IN AND OF ITSELF TO CLOSE OUR \$12 MILLION ARTICLE 28 GAP BUT THAT WE WOULD BE PREPARED GIVE IT HIGHER (FULL?) VALUE IF SA WILLING " COOPERATE" WITH US IN 24:6 WITH RESPECT CANNED FRUIT. THIS " COOPERATION" COULD TAKE FORM OF SA DECLINING TO ACCEPT A RATE ON CXT ITEM 20.06 0 (CANNED MIXED FRUITS) HIGHER THAN US INTENDS TO SEEK.

6. OTHER POSSIBLE ITEMS WHERE SA POSTURE IN 24:6 MIGHT BE OF SOME HELP TO US ARE ITEMS WHERE US HAS INR (ACCEPTED BY EC) BUT SA IS PRINCIPAL SUPPLIER. SUCH ITEMS WITH SIGNIFICANT US TRADE INTO THREE ACCEDING COUNTRIES INCLUDE FRESH APPLES, CANNED PEACHES AND PINEAPPLE IN UK SCHEDULE AND CANNED PINEAPPLE AND PEACHES IN DANISH SCHEDULE. IN CASE OF FRESH ORANGES (APRIL- NOVEMBER), US CLAIMS SUBSTANTIAL INTEREST IN UK SCHEDULE (\$893,000) WHILE SA IS PRINCIPAL SUPPLIER. WE MIGHT ACQUAINT SA WITH OUR REQUEST TO EC WITH RESPECT TO THESE ITEMS AND ASK SA AS PRINCIPAL SUPPLIER NOT TO SETTLE TOO QUICKLY LIMITED OFFICIAL USE

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OR EASILY WITH EC ON A CXT HIGHER THAN US WILL BE SEEKING. IF SA WILLING COOPERATE IN THIS WAY, WE MIGHT RETURN THE FAVOR BY DROPPING OUR COMPLAINT AGAINST SA AUTOMOTIVE TAX REBATE SYSTEM. BASSIN

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